

Message Text

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15

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03

TAR-01 PA-01 USIA-06 PRS-01 /119 W

----- 109523

R 200840Z FEB 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2302

INFO AMEMBASSY ABUDHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY JAKARTA

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY VIENNA

AMEMBASSY TOKYO

USINT BAGHDAD

C O N F I D E N T I A L KUWAIT 0827

E.O. 11652: GDS

TAGS: ENRG, ETR, KU, XX

SUBJECT: OPEC UNHAPPY WITH PROPOSED US OIL FEE

1. DURING VISIT WITH ALI KHALIFA AL-SABAH FEBRUARY 19, HE TOLD
EMBOFF AND JOSEPH STORY OF FEA THAT OPEC UNHAPPY WITH PROPOSED
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\$3 PER BARREL FEE ON IMPORTED OIL ADMINISTRATION HAS BEFORE

CONGRESS AS PART OF PRESIDENT FORD'S ENERGY PACKAGE. ALI KHALIFA IS SECOND MOST IMPORTANT POLICY OFFICIAL IN MINISTRY OF OIL AND, APART FROM MINISTER, IS GOK'S SENIOR OPEC AFFAIRS OFFICER. HE PREDICTS THAT MATTER WILL BE DISCUSSED AT ALGIERS OPEC SUMMIT.

2. ALI KHALIFA EXPLAINED THAT WITHIN OPEC CONCEPT OF "DYNAMIC STABILIZATION" HAS BEEN ACCEPTED. THUS OPEC AGREED TO NINE MONTH FREEZE ON PRICES WHICH BY THE WAY REPRESENTS COMPROMISE BETWEEN ONE YEAR FREEZE TECHNICAL COMMITTEE PROPOSED AND SIX MONTH FREEZE WHICH COUNCIL OF MINISTERS WANTED. HE SAID \$3 FEE WAS ESSENTIALLY A TARIFF BARRIER TO FREE TRADE BETWEEN OPEC COUNTRIES AND US. HE SAID THIS AFFECTED VERY IMPORTANT INTERESTS IN OPEC COUNTRIES WHICH FEEL THEY SHOULD BE CONSULTED BY US WHEN IT TAKES UNILATERAL ACTION AFFECTING THEIR DIRECT INTERESTS. ALI KHALIFA, WHO SPOKE WITH SOME EMOTION, INDICATED OPEC COUNTRIES WERE PERTURBED AND THAT THEY MAY CALL FOR SOME RETALIATORY ACTION AT ALGIERS.

3. EMBOFF EXPLAINED THAT PROPOSED FEE WAS PART OF LARGER ENERGY PACKAGE AND FEE WAS ESSENTIALLY DOMESTIC MATTER. USG, HE SAID, HAD TO BE ABLE TO ATTEMPT CONTROL ITS OWN ECONOMY. IN ANY EVENT WHOLE IDEA WAS TO REDUCE CONSUMPTION IN US WHICH OPEC AND PARTICULARLY GOK HAD BEEN URGING. ALI KHALIFA AGREED THAT OPEC WANTS US TO REDUCE OIL CONSUMPTION, BUT HE PROFESSED THAT IT SHOULD BE DONE BY NATURAL MARKET FORCES, I.E. HIGH MARKET PRICES. HE ADDED THAT RATIONING WOULD BE ANOTHER "UNNATURAL" HINDRANCE TO FREE TRADE. HE ALSO SAID OPEC STATES JUST AS CONCERNED OVER HINDRANCES TO TRADE OF OTHER COMMODITIES.

4. COMMENT: THIS FIRST TIME KUWAITIS, WHO EXPORT LITTLE TO US, HAVE EXPRESSED CONCERN OVER TARIFFS AND/OR NTBS TO US. ALI KHALIFA, WHO HAD ONLY RECENTLY RETURNED FROM VIENNA AND WHO WILL BE RETURNING THERE SOON PRIOR TO GOING ON TO ALGIERS, SPOKE OF OPEC ATTITUDES RATHER THAN KUWAIT ATTITUDES, ALTHOUGH HE INDICATED GOK WILL SUPPORT OPEC PARTNERS. HE INDICATED MATTER MAY COME UP IN MULTILATERAL TRADE TALKS AS WELL AS IN OPEC FORUM. WE GOT IMPRESSION THAT ALGERIANS AND LATIN AMERICANS WERE TAKING LEAD IN RAISING MATTER WITHIN OPEC.

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